

Message Text

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TO AMEMBASSY TAIPEI PRIORITY
INFO AMEMBASSY TOKYO

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JOINT COMMERCE/STATE MESSAGE

E.O. 11652:N/A

TAGS:BEXP; ETRD: TW, JA

SUBJECT:TAIWAN BUYING MISSION TO U.S. AND GROC MEASURES
TO INCREASE IMPORTS FROM U.S.

REFERENCE: TAIPEI (A) 7283, (B) 7186, (C) 6897, (D) 6834,
(E) 6675, (F) 6639

1. AS PRESENTED THUS FAR, ROC MEASURES TO INCREASE IMPORTS
FROM THE U.S. SEEM TO HAVE BEEN FORMULATED MORE FOR PUBLIC
RELATIONS IMPACT THAN TO REDRESS SERIOUSLY WORSENING
US/ROC TRADE IMBALANCE. BOTH COMMERCE AND STATE ARE
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EXTREMELY EAGER THAT ROC BUYING MISSION MAKE SUBSTANTIAL
COMMITMENTS DEMONSTRATING TAIWAN'S WILLINGNESS TO BUY
SIGNIFICANTLY LARGER AMOUNTS FROM U.S. SUPPLIERS.

2. AS EMBASSY HAS REPORTED PREVIOUSLY (REFTEL D), PURCHASES
OF GRAIN AND SOYBEANS ANNOUNCED IN "BUY AMERICA" PACKAGE
ALREADY WERE CONTRACTED FOR. THESE PURCHASES COMPRISED

150 MILLION DOLLARS OF 200 MILLION DOLLARS IN ORIGINAL PACKAGE LEAVING ONLY 50 MILLION DOLLARS WHICH MIGHT BE CONSIDERED ADDITIONAL TO ALREADY PLANNED IMPORTS FROM U.S. WHILE NO TOTAL PURCHASES GOAL FOR BUYING MISSION'S U.S. VISIT OR FOR OVERALL "BUY AMERICA" PROGRAM HAS BEEN ANNOUNCED, IT SEEMS OBVIOUS THAT MUCH MORE THAN 50 MILLION

DOLLARS IN ADDITIONAL IMPORTS FROM THIS COUNTRY WILL BE NECESSARY TO MAKE A NOTICEABLE IMPACT ON US/ROC TRADE IMBALANCE.

3. AS SEEN FROM WASHINGTON, BIG TICKET ITEMS FOR GROC INFRASTRUCTURE PROJECTS OR MAJOR PURCHASES OF PLANT AND EQUIPMENT FOR INDUSTRIAL EXPANSION WILL MAKE LARGEST IMPACT. TO THESE CATEGORIES WOULD BE ADDED OTHER HIGHLY SOPHISTICATED ITEMS SUCH AS MEDICAL EQUIPMENT FOR WHICH RECENT TRADE CENTER SHOW AND EMBASSY REPORTING INDICATE LARGE MARKET EXISTS. LIMITATIONS OF STORAGE SPACE AND INELASTIC DEMAND PROBABLY WILL CONTINUE TO LIMIT ROC'S ABILITY TO INCREASE SUBSTANTIALLY PURCHASES OF AGRICULTURAL PRODUCE.

4. IT ALSO SEEMS OBVIOUS THAT REDUCING THE U.S. TRADE DEFICIT WITH TAIWAN IN EFFECT MEANS REDUCING THE ROC'S IMPORTS FROM JAPAN. THERE WOULD APPEAR TO BE NO ALTERNATIVE TO A CONSCIOUS EFFORT TO SWITCH SOME LIMITED OFFICIAL USE

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PURCHASES WHICH MIGHT HAVE BEEN MADE IN JAPAN TO U.S. SUPPLIERS. WE ARE AWARE OF USUAL CLAIMS BY TAIWAN IMPORTERS OF BETTER DELIVERY DATES, LOWER PRICES, BETTER SERVICE, ETC. FROM JAPANESE EXPORTERS. IN VIEW OF LARGE ROC TRADE DEFICIT WITH ITS NORTHERN NEIGHBOR, HOWEVER, OVER DEPENDENCE ON JAPAN AS A SOURCE OF IMPORTS WOULD NOT APPEAR TO BE IN TAIWAN'S LONG RANGE INTEREST. IN ADDITION, RECENT REVALUATION OF THE YEN IN DOLLAR TERMS SHOULD GIVE U.S. EXPORTERS A GROWING ADVANTAGE OVER THEIR JAPANESE COMPETITORS. WITH BOTH JAPAN AND THE U.S. HAVING APPROXIMATE EQUAL SHARES OF THE ROC MARKET FOR METALWORKING EQUIPMENT, PROCESS AND QUALITY CONTROL EQUIPMENT, EIPT AND ELECTRONIC COMPONENTS, CONSTRUCTION AND BUILDING, EQUIPMENT AND SUPPLIES, MATERIALS HANDLING EQUIPMENT, AND FOOD PROCESSING AND PACKAGING EQUIPMENT, IT WOULD APPEAR LIKELY THAT SIGNIFICANT INCREASES IN PURCHASES FROM USA WOULD RESULT FROM THE "BUY AMERICA" CAMPAIGN.

5. WE BELIEVE CONCRETE SUGGESTIONS SHOULD BE MADE REGARDING GROUP'S U.S. ITINERARY. (SEE BELOW), AND WE WANT GROC TO BE MADE AWARE THAT WE REGARD BUYING

MISSION AS A CLEAR TEST OF WHETHER IT REALLY INTENDS TO TAKE MEANINGFUL MEASURES TO BUY MORE FROM THE U.S. WE WOULD HOPE THAT H.K. SHAO WOULD COME TO WASHINGTON WHERE WE WOULD ARRANGE APPOINTMENTS WITH APPROPRIATE OFFICIALS IN COMMERCE, STATE, TREASURY AND STR TO

DISCUSS US/ROC TRADE ISSUES. WE BELIEVE POINT SHOULD BE REITERATED TO SHAO AND OTHER GROC OFFICIALS INFLUENTIAL IN TRADE POLICY THAT ROC PROTECTIONISM REMAINS VERY IMPORTANT FACTOR IN HOLDING DOWN IMPORTS FROM THE U.S.

6. WE ASSUME THAT, GIVEN DIVERSITY OF INTERESTS TO BE REPRESENTED AMONG MEMBERS OF BUYING GROUP, LIMITED OFFICIAL USE

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INDIVIDUALS WILL NEED TO FOLLOW SEPARATE ITINERARIES. WE ALREADY HAVE BEEN IN TOUCH WITH TRADE ASSOCIATIONS CONCERNING THEIR ASSISTANCE IN ARRANGING APPOINTMENTS. DEPENDING ON HOW SCHEDULES DEVELOP, WE MAY ALSO ASK FOR TRADE ASSOCIATION HELP IN PROVIDING EXCORT SERVICE AND/OR CONSIDER ASSIGNING WASHINGTON PERSONNEL TO ACCOMPANY MEMBERS OF GROUP FOR PART OF VISIT, IF THIS

IS TRULY A BUYING MISSION. APPOINTMENTS WILL BE ARRANGED FOR VISITS TO INDIVIDUAL FIRMS, IF THE MISSION MEMBERS HAVE CERTAIN FIRMS OR PRODUCTS IN MIND. IF THE MISSION IS INTERESTED IN SEEING HOW A SYSTEM OR PIECE OF EQUIPMENT WORKS IN ACTION, THIS, TOO CAN BE ARRANGED. WE HOPE THE MISSION MEMBERS WILL ALLOW A WEEK OR MORE FOR SUCH APPOINTMENTS. HAS EMBASSY CONSIDERED HAVING COMATT AYLWARD OR SENIOR COMMERCIAL SECTION LOCAL EMPLOYEE ACCOMPANY GROUP?

7. COMMERCE AND STATE HAVE ANALYZED TRADE DATA AND CURRENT SIX-YEAR PLAN AND HAVE A NUMBER OF SUGGESTIONS THE POST SHOULD CONSIDER.

A. IN ORDER TO MAKE THIS MISSION TRULY SUCCESSFUL IT WOULD SEEM DESIRABLE TO EXPAND THE MISSION TO INCLUDE CONTRACTORS AND PLANNERS FOR THE MAJOR PORT, HIGHWAY AND PUBLIC BUILDING PROGRAMS, AND NOT BE LIMITED TO CORPORATE PRESIDENTS AND BOARD MEMBERS. OFFICIALS OF THE PROVINCIAL DEPARTMENT OF COMMUNICATIONS, THE MINISTRY OF THE INTERIOR, AND THE RETIRED SERVICEMEN ENGINEERING AGENCY ARE SOME POSSIBILITIES IN THE AREA OF INFRASTRUCTURE, AS THEY ARE MENTIONED AS CONTRACTORS OR SPONSORING AGENCIES IN THE SIX-YEAR PLAN.

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B. THE PLAN ALSO MENTIONS THE TAIWAN METAL MINING CORPORATION, CHINA PHOSPHATES INDUSTRIES CORPORATION, CHUNG TAI CHEMICAL, AND CHINA STEEL CORPORATION AS HAVING MAJOR PROJECTS IN THE WORKS, AND THUS HAVING THE POTENTIAL TO MAKE LARGE PURCHASES.

C. FROM THE PRESENT COMPOSITION OF THE MISSION WE HAVE LOCATED A NUMBER OF EXHIBITION SELECT MISSION MEMBERS SHOULD BE INTERESTED IN ATTENDING: THE INTERNATIONAL CONCRETE AND AGGREGATES SHOW, JAN. 22-26, LAS VEGAS - AN EXPOSITION OF THE LATEST CONSTRUCTION METHODS; THE INTERNATIONAL EXPOSITION FOR FOOD PROCESSORS, FEB. 12-15, CHICAGO - THIS MAY BE OF INTEREST TO TAISUGAR REPRESENTATIVES; THE NATIONAL FARM SHOW, FEB. 15-18, LOUISVILLE - ALSO FOR TAISUGAR. ONCE WE HAVE ASCERTAINED WHO THE MISSION MEMBERS ARE AND WHERE THEIR INTERESTS LIE, WE WILL SELECT AND MAKE ARRANGEMENTS FOR THEM TO ATTEND APPLICABLE SHOW.

D. WHILE WE DO NOT HAVE DETAILED STATISTICS ON ROC - JAPAN TRADE ON WHICH TO BASE ANALYSIS, INFORMATION AVAILABLE TO US INDICATES TAIWAN IS BUYING CONSIDERABLY MORE FROM JAPAN THAN THE U.S. IN BROAD CATEGORIES OF CHEMICALS AND CHEMICAL PRODUCTS, ELECTRICAL MACHINERY AND TRANSPORTATION EQUIPMENT. ESPECIALLY IN THE AREA OF PLASTICS, CHEMICALS AND FIBERS, JAPAN SUPPLIES THE MAJORITY OF THE RAW MATERIALS, BUT TAKES RELATIVELY LITTLE OF THE FINAL PRODUCTS, E.G. CLOTHING AND PLASTIC PRODUCTS. FROM OUR ANALYSIS OF TRADE STATISTICS ON ORGANIC CHEMICALS, PLASTICS AND FIBERS IT APPEARS THAT THE U.S. IS COMPETING WITH JAPAN, BUT JAPAN GENERALLY HAS A MUCH LARGER MARKET SHARE. AS SUCH WE WOULD THINK THAT THIS INDUSTRY SHOULD BE A PRIME CANDIDATE FOR THE "BUY AMERICA PROJECT" AND THE GROC WOULD DIRECT FUTURE PURCHASES TO THE U.S. AND INCLUDE DELEGATES ON BUYING MISSION.

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E. IT WILL BE PARTICULARLY HELPFUL TO HAVE THE IDENTITY OF PARTICIPANTS FROM THE STATE ENTERPRISES NOTED IN PARA 3, TAIPEI 7283. AS POST IS AWARE, THE SELECTION OF U.S. ENGINEERS-CONSTRUCTORS FOR PROJECTS UNDER AEGIS OF THESE ENTERPRISES WOULD ASSURE EQUIPMENT SPECIFICATIONS FAVOR U.S. SUPPLIERS ALONG LINES

Y.T. WONG'S COMMENTS, PARA 2, TAIPEI 6639.

8. WE WOULD APPRECIATE POST'S RESPONSE TO THESE
SUGGESTIONS AFTER DISCUSSIONS WITH H.K. SHAO. ALSO
HOPE MANY OF THE QUESTIONS RAISED CAN BE QUICKLY
RESOLVED, SO THAT WE MAY PURSUE PLANNING FOR THE VISIT. VANCE

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